

**Comments of  
Inland Power & Light Co.**

**November 3, 2005  
Public Comment Forum  
U.S. Department of Agriculture  
Secretary Mike Johanns**

My name is Fred Rettenmund. I'm here representing Inland Power & Light Co. Inland Power appreciates the opportunity to make some brief comments.

Inland Power is an electric cooperative serving over 34,000 consumers in eastern Washington. Our service territory is largely rural averaging less than 5 consumers per mile of distribution line.

A significant portion of Inland's electric consumers are farmers, including many irrigated farming operations. Farm operations and the related industries are vital to the economic viability of many small and large towns and cities throughout Washington State.

As you are aware, agriculture is facing significant cost pressures for almost all of the inputs to agricultural production. Dramatic increases in fuel costs, increases in the cost of fertilizers and rate increases for electricity are just a few of the many cost pressures impacting farming operations.

Regarding electricity, the cost of electricity is important in the agricultural sector, but it is extremely critical to irrigated agriculture in eastern Washington and throughout the Pacific Northwest. The cost of electricity can comprise 20% or more of the total cost of irrigated farming operations. Clearly, the cost of electricity can be a make or break factor.

Inland, like many cooperatives in Washington and the Pacific Northwest, purchases all its electrical power from the Bonneville Power Administration (BPA).

The cost of power purchased from BPA comprises over 50 % of the total cost of business for Inland. BPA power rates are a very important factor for

all the consumers we serve, but particularly for our irrigated agriculture consumers.

It is important to point out that the irrigated agriculture sector continues to seek increasing efficiencies in the use of electricity and the application of water. The Pacific Northwest is a leader in pioneering many high efficiency irrigation technologies.

I would like to briefly highlight two aspects of the cost of electrical power Inland purchases from BPA.

First, BPA power rates for Inland are likely to increase by 40% or more overall starting in October 2006. Inland continually works to control all its operating costs, but power cost increases from BPA will have to be passed on to our consumers.

Many factors will cause this very substantial BPA rate increase, but the ever increasing level of BPA's funding for salmon and steelhead mitigation is a key factor. Currently approximately 20% of BPA's base power costs are related to fish and wildlife mitigation. Some \$600 to \$700 million per year of electric ratepayer money is being applied towards fish related actions.

Unfortunately, significantly higher costs for fish are likely in 2006 and beyond.

The increase in the overall level of BPA rates, along with other factors, will make it very challenging for many, particularly irrigated agriculture, to continue with current operations. Communities throughout Washington could be negatively impacted.

We need to be clear that Inland is supportive of ratepayer funding of fish recovery actions so long as those actions and projects are prudent and actually result in increases in the number of salmon and steelhead. But all too often fish expenditures and mandated changes to federal hydro system operations are not prudent and reasonable in terms of producing any notable change in the survival of juvenile fish and the number of returning adult salmon.

A second point about BPA power rates is that BPA has adopted a rate design which results in some summer months having higher electrical rates than the

rates in BPA's peak winter load months. For instance, BPA's current base energy rate for heavy load hours in January is 20.12 mills/kWh, but 32.02 mills/kWh in August. BPA has designed its summer rates to reflect the high value of summer energy in California and the Southwest, not the actual cost of producing electricity in the summer months when BPA typically has surplus firm energy.

This type of rate design technique disproportionately impacts electrical loads operating only in the summer months and not in the winter months, namely irrigated agriculture loads. Previously BPA has worked constructively with its irrigation utilities to implement programs and actions to reduce the negative impacts of high summer electricity rates. The current program is known as the Irrigation Rate Mitigation Program.

Unfortunately, for future power rates BPA is considering placing a significant limitation on the level of benefits that would be available to irrigation utilities and their consumers. This limitation would cap the amount of irrigation mitigation benefits available in future years in spite of the likely prospect of continuing increases in BPA power rates. Irrigated agriculture could, therefore, face increases in power costs greater than the overall increase in future BPA rates.

This clearly is unacceptable and would cause significant harm to irrigated agriculture, related industries and communities already experiencing severe economic strains.

Inland and many other Pacific Northwest utilities will be working with BPA in an effort to further explain the importance of limiting BPA's overall rate increases, the needs of irrigated agriculture and why the Irrigation Rate Mitigation Program needs to continue in an acceptable form.

Thank you for the opportunity to comment today.

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